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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 001759

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STATE FOR NEA/ARP AND NEA/IR, EB FOR A/S WAYNE, TREASURY  
FOR U/S LEVEY, NSC FOR JUAN ZARATE AND NIK RAMCHAND

E.O. 12958: DECL: 04/30/2016

TAGS: [PGOV](#) [PREL](#) [PTER](#) [EFIN](#) [IR](#) [KU](#)

SUBJECT: TREASURY UNDER SECRETARY LEVEY DISCUSSES FINANCIAL  
ISOLATION OF IRAN WITH GOK OFFICIALS

Classified By: Ambassador Richard LeBaron. Reasons 1.4 (b) and (d)

¶1. (C) Summary: During April 29 meetings with GOK officials on terrorism financing (septel), Treasury Under Secretary Stuart Levey previewed a U.S. strategy aimed at increasing financial pressure on Iran by cutting off its access to financial institutions in Europe, Japan, and the UAE. The Finance Minister questioned the likely impact on Kuwait given the country's marginal trade ties with Iran and the latter's preference to do business in Dubai. The Deputy Prime Minister and Foreign Minister expressed GCC concerns with and staunch opposition to Iran's nuclear ambitions. He noted that Iran would be the top agenda item at the May 6 informal GCC summit in Riyadh and welcomed increased GCC-USG consultations. He questioned the effectiveness of the financial strategy and the dangers of an isolated Iran becoming the next North Korea. Kuwait's preference is to proceed through the UNSC process with a strong international front, including Russia and China, to help dissuade Iran from its current course. End Summary.

¶2. (C) On April 29, Treasury Undersecretary for Terrorism and Financial Crimes Stuart Levey met separately with GOK Deputy Prime Minister and Foreign Minister Shaykh Dr. Mohammed Al-Sabah and Finance Minister Bader Al-Humaidhi to solicit GOK feedback on the proposed USG strategy to increase international financial pressure on the Iranian regime. He explained that pressure could be brought on the Iranian regime by cutting off access to financial institutions in Europe, Japan, and the UAE, where most of the regime's financial transactions are handled. The initial measures would seek to financially isolate entities and individuals engaged in proliferation or terrorist support activity, creating a dynamic where typically risk-averse organizations, such as banks, perceive that the risk of doing business with such entities is simply too high. Ultimately, if Iran persisted in pursuing WMD, steps could be taken to financially isolate the regime more broadly. However, U/S Levey emphasized, the proposed financial isolation strategy would only succeed if it was pursued in key financial centers around the world. He asked for comment on such a strategy's likely impact on Iranian economic activity with Kuwait.

¶3. (C) U/S Levey noted that the USG was increasingly concerned with Iran's defiance and was consulting with allies on possible joint measures aimed at increasing international pressure on Tehran. Cutting off the regime from financial institutions in Europe, Japan and the UAE would make it much harder for the Iranian government to operate financially, U/S Levey asserted. He added that it would also demonstrate the possibility of collective international action beyond the realm of the UN Security Council through alternative mechanisms short of UN sanctions.

#### Limited Trade with Iran

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¶4. (C) Finance Minister Al-Humaidhi pointed to very marginal trade between Kuwait and Iran (\$150M in trade exports), compared to the UAE and Iran (\$9B in trade exports). He commented that although there was some Iranian investment in the Kuwait Stock Exchange, the scope and size of those investments were hard to track. He added that most Iranian investments in the region have historically centered in Dubai. Iran's financial isolation from Europe and other global markets would not have a significant impact on its already limited ties to Kuwait, he opined.

#### Nuclear Iran Unthinkable for GCC

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¶5. (C) Dr. Mohammed asserted that Iran is a subject of "utmost importance to us (GCC)" and that a nuclear Iran "is unthinkable" for the region. The Iranian president's statements are "extremely unnerving," he noted, explaining that Kuwait's main concern was with Iran's "peaceful nuclear program--the 20th anniversary of Chernobyl was yesterday," quipping that "we trust you'll take care of the clandestine program." (Note: The Foreign Minister noted that Iran will be the main agenda item at the May 6 informal GCC summit in Riyadh, but he said this type of meeting will not produce GCC public statements. The GOK submitted a working paper on Iran at the May 6 summit and a GCC delegation headed by Oman is planning to visit Iran soon to voice GCC concerns. End note.)

#### UN Process Key for GCC

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¶6. (C) Acknowledging that Iran's actions ran counter to its IAEA obligations, Dr. Mohammed underscored the GOK's preference for a UN-led approach, focused on building an international front against Iran, possibly through Chapter VII of the UN Charter. U/S Levey added that the USG is concerned that Russia and China would block a UNSC resolution, which is why the USG wants to work with key financial institutions to heighten the reputational risk of doing business with the Government of Iran. Dr. Mohammed was adamant about the need to get Russia and China "on board" with the UN process.

¶7. (C) Dr. Mohammed added that unlike Iraq, there was greater international consensus and concern regarding Iran's ambitions. He warned, however, that "people in the region are extremely concerned about actions outside the realm of the UN, especially military action." Dr. Mohammed stressed that "Iran can easily bring havoc to the region through terrorism" and that Kuwait's geographic proximity to Iran is cause for concern.

#### Avoid Creating Another North Korea

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¶8. (C) While the Foreign Minister expressed that a financial strategy aimed at isolating Iran had some symbolic merit, he questioned its strategic impact and overall effectiveness, pointing out that financial isolation did not prevent North Korea from developing a nuclear weapon. The Foreign Minister cautioned that such measures risked further isolating Iran, which might cause Iran to "close up" and just develop a nuclear weapon as did North Korea. He also noted Iranian oil sales to Europe and asked what Iran would be able to do with proceeds under such a sanctions regime.

#### Need Russia and China On Board

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¶9. (C) Taking note of U/S Levey's point about the

Swiss-based financial institution UBS' decision to abandon its dealings with Iran, Dr. Mohammed commented that "UBS is nice, but it's not Russia," alluding to the importance of securing Russian and Chinese buy-in for collective international action at the UN in order to secure an international front.

¶10. (C) Questioning Russia's and China's "strategic end games" vis-a-vis Iran, the Foreign Minister asked whether both countries were perhaps "out to horse trade" with the U.S. on this issue, noting that it was in Russia's interest to ensure Iran did not acquire nuclear weapons. The Ambassador encouraged increased GCC dialogue with Moscow and Beijing on Iran to shed light on these and other factors and to communicate the GCC's concerns about Tehran's efforts.

Rafsanjani Critical of Ahmedinejad  
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¶11. (C) According to Dr. Mohammed, during his April 16-17 visit to Kuwait, former Iranian President Rafsanjani was outspoken and critical of President Ahmedinejad and the latter's ignorance of international relations and uncanny ability to undermine Iran's relations with the international community. (Note: Rafsanjani was not critical of Iran's nuclear program, but rather Ahmedinejad's lack of finesse in projecting Iranian interests. End note.)

¶12. (C) In response to the Foreign Minister, U/S Levey noted that some Saudi officials had been supportive of the USG proposal and its likely success in further aggravating perceived differences between Ahmedinejad and other influential figures. U/S Levey explained that Prince Saud in Riyadh considered Ahmedinejad to be out of step with other influential figures in Iran and that a strategy to change the dynamic among these key figures through increased international isolation and pressure could dissuade the Iranian president from his current course.

Need for More US-GCC Consultations  
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¶13. (C) The Foreign Minister thanked U/S Levey for seeking GOK input and urged greater USG-GCC consultation and coordination on this issue.

¶14. (U) U/S Levey has cleared this cable.

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